

Department of Social and Health Services

DP Code/Title: M2-CL Clinical Billing & Hosp Info System

Agency Wide

There are 2 Programs in this DP

Budget Period: 2001-03 Version: 22 2001-03 1st Sup Agency Request

**Recommendation Summary Text:**

**Program(s): 030**

The state hospitals have been directed by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and the Center of Medicaid and Medicare Services (CMS), formerly known and Health Care Financing Administration, to meet federal compliance and accreditation standards for the maintenance of client medical records and hospital billing systems. The state hospitals are also required to comply with Health Insurance Portability and Accountability Act (HIPAA) standards regarding confidentiality and electronic access to data and with the requirement to convert to a prospective payment system from the current retrospective cost settlement process. Funding is requested to purchase a commercial off-the-shelf clinical and billing hospital information system that will meet all of these requirements.

**Fiscal Detail:**

**Operating Expenditures**

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
<b>Overall Funding</b>			
001-1 General Fund - Basic Account-State	0	326,000	326,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	0	2,938,000	2,938,000
<b>Total Cost</b>	<b>0</b>	<b>3,264,000</b>	<b>3,264,000</b>

**Staffing**

	<u>FY 1</u>	<u>FY 2</u>	<u>Annual Avg</u>
<b>Agency FTEs</b>	<b>0.0</b>	<b>2.0</b>	<b>1.0</b>

**Package Description:**

**Program(s): 030**

Over the past two years, the state psychiatric hospitals have been in a "self-disclosure of potential overpayment status" with CMS and had a compliance audit performed at CMS's direction. The independent audit found that although the state hospitals have billed less than the allowable charges incurred, they have not been in compliance with federal regulations for the submittal of bills for hospital services. The division received local spending authority to address these compliance issues in 1999, and additional staff and funding in the 2001-03 Biennial Budget to bring the hospitals into compliance with some of the federal regulations. Additional resources have allowed the Mental Health Division and the state hospitals to identify, research, and analyze compliance issues and initiate many corrective measures. However, many compliance issues remain and additional requirements are being placed on the state hospitals through federal rule and law.

It has become apparent that the Mental Health Division must institute significant change to the state hospitals' information systems if compliance is to be achieved. The department has prepared a report to the Legislature required by ESSB 6153 Sec. 211(2) that details the issues before the state hospitals and potential solutions. Justification supporting the department's decision to pursue a Commercial Off The Shelf (COTS) Clinical and Billing Hospital Information System is also detailed in that report.

The division is requesting the funding to purchase an off-the-shelf Clinical and Billing Hospital Information System which will provide two core functions: an Electronic Medical Record containing key clinical information, and a fully automated Billing and Accounts Receivable system. The electronic medical record component will allow for a complete picture of the patient's care while at the hospital. This not only includes the appropriate clinical status, but also the patient's ongoing legal status while in residence. An electronic Billing and Accounts Receivable system will perform all billing and recovery tasks necessary, while utilizing an on-line interface/integrated database containing both clinical and demographic data about the patient as well as up-front admissions.

A portion of the system cost includes development of an electronic infrastructure at the state hospitals, re-engineering of the

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hospital business processes, and a dedicated project manager position.

Clinical staff at the state hospitals do not work on computers, nor do they have access to computer equipment in their daily routines. These staff must be trained to operate computers, including becoming familiar with computer equipment hardware. Computers must be placed on the hospital wards, where clinical staff are located, for the electronic system to be implemented.

Business process re-engineering is vital for state hospitals to become compliant. Many of the 69 recommendations made by Public Consulting Group in their independent report to the Legislature pointed out the need for new business processes that are compliant and more effective. Staff dedicated to implementing these recommendations are included as part of the system cost. Without new business processes, the electronic Clinical and Billing Hospital Information System will not make the hospitals more compliant, but will only enable ineffective processes to be completed via computer.

The Clinical and Billing Hospital Information System is considered a major system project, with a high-risk level by the Department of Information Systems. A system of this significance cannot be successfully implemented without a professional, experienced, and dedicated project manager.

**Narrative Justification and Impact Statement**

*How contributes to strategic plan:*

**Program(s): 030**

This package contributes to the division's goals to:

- Enhance safety for consumers, employees and the public.
- Optimize services within resources.
- Increase the number of cross-system collaborative projects.
- Ensure the physical infrastructures of the state hospitals provide a safe and secure environment.
- Achieve a level of compliance that will prevent audit findings resulting in repayment.
- Optimise revenue recoveries.

***Performance Measure Detail***

**Program: 030**

**Goal: 02C Enhance safety for consumers, employees and the public**

No measures submitted for package

**Incremental Changes**

**FY 1**

**FY 2**

**Goal: 08C Create and improve cross-system collaboration**

No measures submitted for package

**Incremental Changes**

**FY 1**

**FY 2**

**Goal: 09C Optimize services within resources**

No measures submitted for package

**Incremental Changes**

**FY 1**

**FY 2**

**Goal: 11C Ensure infrastructure of state hospitals provides a safe and secure environment**

No measures submitted for package

**Incremental Changes**

**FY 1**

**FY 2**

***Reason for change:***

**Program(s): 030**

Public Consulting Group, health care consultants for the state psychiatric hospitals, presented roughly 69 recommendations for system and business process improvements in their independent report to the Legislature submitted January 18, 2001.

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Detailed action plans have been developed by the hospital CEOs for each of those recommendations. The state's psychiatric hospital operations are currently out of compliance with Federal regulations. While a significant business process improvements are currently underway, many inefficiencies are so severe that modern administrative requirements for managing a hospital do not exist.

Reasons for the change in the state hospitals' information systems are due to mandates from the federal government and basic inadequacies of the current system that place patients' health and safety at risk.

There are many federal information management system and business process compliance regulations that the division cannot meet without a complete overhaul of the systems and processes at the state hospitals. CMS compliance issues that need immediate attention are as follows:

1. Duplicate claims must be avoided through appropriate procedures. Current systems cannot ensure this requirement is met.
2. Service reporting must be 95 percent accurate. Current systems are not integrated, nor are they completely electronic. These accuracy levels cannot be achieved unless integration and conversion to electronic processes is completed.
3. Section 4311 of the Balanced Budget Act (BBA) of 1997 requires hospital providers to provide an itemized statement within 30 days of a request from a patient or representative. Current Office of Financial Recovery and hospital systems are incapable of producing itemized statements as required.
4. Inpatient Prospective Payment processes are required by the BBA Refinement Act of 2000. The state hospitals will be required to change from retrospective fee-for-service cost reimbursement to the prospective payment system (PPS). The new system will require the accumulation of clinical patient information and arranging the data into groups to determine Medicare payments. Currently, hospital systems are not programmed to collect, bill, account for and report the required clinical groupings.
5. CMS Conditions of Participation require that hospitals be able to meet the standard service documentation requirements. Systems currently in place do not allow for identification of problem areas or development of corrective action steps necessary to resolve documentation problems.
6. Health Insurance Portability and Accountability Act (HIPAA) standards go into effect February 2003. HIPAA requires health care providers, including state hospitals, to maintain administrative and physical safeguards to protect confidentiality of health information and to protect against unauthorized access of data. Current data structures at the hospitals do not meet the standards outlined in the HIPAA data set regulations.

The department currently utilizes two main independent information systems and many non-integrated sub-systems to manage, report and bill for the patient populations served by the state hospitals. Many of these systems are not electronic, but are completely paper based. There is no integration of the systems, so little data is shared among the systems and data is not reconciled on a timely basis, resulting in significant duplication of tasks and an increased risk of data integrity issues. This situation places the state hospitals' certification at risk because JCAHO requires that all medical records be accurate, accessible, authenticated, organized, confidential, secure, current, legible, and complete.

The department is concerned about the risk to patients of non-integration. Current systems are unable to link hospital departments with treatment safeguards. For example, the pharmacy system is not integrated with the lab or medical records to ensure patient compatibility with prescriptions. Additionally, patients' charts provide only about a third of the data that physicians need to provide adequate patient care. Data is not integrated or reconciled, causing a potential for errors, loss of vital information, and total inability to monitor the patient's care efficiently.

***Impact on clients and services:*****Program(s): 030**

Records that are comprehensive, accurate, and accumulated in a timely fashion increase the hospitals' ability to provide appropriate treatment for clients. Clinical staff are freed from tedious, ineffective recordkeeping tasks and are able to increase active treatment on the wards without an overall increase in staff levels. Effectiveness of treatment can be tracked through the patient's chart, allowing for monitoring of patient outcomes without excessive data accumulation after

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treatment is completed.

The hospitals' funding is improved through compliant, appropriate, timely, and accurate billing practices. All eligible services are billed and collections of accounts receivable are completed timely due to the accurate bills submitted. This will improve overall funding for the hospitals and will allow for better projection of funding needs into the future.

State hospital certification is safeguarded, ensuring federal participation in the operation and funding for the state hospitals. This ensures adequate patient care because federal participation pays for over half of the state hospitals' funding needs.

***Impact on other state programs:***

**Program(s): 030**

As mentioned above, adequate patient care and appropriate funding for the state hospitals will be safeguarded with this system. This will avoid potential strain on other state programs such as Corrections, Juvenile Rehabilitation, Aging and Adult Services, and Alcohol and Substance Abuse.

***Relationship to capital budget:***

**Program(s): 030**

None

***Required changes to existing RCW, WAC, contract, or plan:***

**Program(s): 030**

None

***Alternatives explored by agency:***

**Program(s): 030**

Options explored by the agency are detailed in the system feasibility study that has recently been completed. Options explored in the study included improvement of existing systems, development of a custom system and purchase of a COTS. System requirements and cost of the project pointed to the purchase of a COTS as the best alternative. The option of "no change" was not explored due to the risk of loss of federal participation and related revenue at the state hospitals.

***Budget impacts in future biennia:***

**Program(s): 030**

The Patient Information System will initially cost the division in the first two years of production; however, it is estimated that clinical time ratio with patients will improve greatly as a result and fewer FTEs will be needed to process hospital billings.

***Distinction between one-time and ongoing costs:***

**Program(s): 030**

The cost to purchase equipment, to purchase and implement the system, and project management are one-time costs.

***Effects of non-funding:***

**Program(s): 030**

Without the Clinical and Billing Hospital Information System, the department will not be able to meet the federal standards outlined above which will result in loss of federal funding and non-accreditation status for the hospitals. This will have an immediate impact on the safety and health of clients, staff, and communities surrounding the hospitals.

***Expenditure Calculations and Assumptions:***

**Program(s): 030**

See attachment - MHD M2-CL Clinical Billing & Hosp Info System.xls

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**Object Detail**

**Overall Funding**

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
A Salaries And Wages	0	432,000	432,000
B Employee Benefits	0	100,000	100,000
E Goods And Services	0	2,728,000	2,728,000
G Travel	0	4,000	4,000
<b>Total Objects</b>	<b>0</b>	<b>3,264,000</b>	<b>3,264,000</b>

**DSHS Source Code Detail**

**Overall Funding**

**Fund 001-1, General Fund - Basic Account-State**

Sources Title

0011	General Fund State	0	326,000	326,000
<b>Total for Fund 001-1</b>		<b>0</b>	<b>326,000</b>	<b>326,000</b>

**Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa**

Sources Title

19UL	Title XIX Admin (50%)	0	2,938,000	2,938,000
<b>Total for Fund 001-C</b>		<b>0</b>	<b>2,938,000</b>	<b>2,938,000</b>

<b>Total Overall Funding</b>	<b>0</b>	<b>3,264,000</b>	<b>3,264,000</b>
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**Funding Totals by Program**

Dollars in Thousands

**Program**

	<u>FTE's</u>		<u>GF-State</u>		<u>Total Funds</u>	
	<u>FY 1</u>	<u>FY 2</u>	<u>FY 1</u>	<u>FY 2</u>	<u>FY 1</u>	<u>FY 2</u>
030 Mental Health	0.0	2.0	0	326	0	3,264
150 Info Sys Svcs Div	0.0	0.0	0	0	0	0
<b>Grand Total:</b>	<b>0.0</b>	<b>2.0</b>	<b>0</b>	<b>326</b>	<b>0</b>	<b>3,264</b>

**Supplemental 2002  
M2-CL Clinical Billing and Hosp Info System**

**Patient Information Summary**

SFY03										SFY04	SFY05
Staffing Classification	FTE	Salary	Benefits	Goods & Serv	ISSD	Travel	Equipment	Total		Total	Total

**On-Going Costs**

<b>WSH - BU: G92</b>											
Info Tech systems/App Spec 6	1.0	67,000	14,000	5,000	2,000		8,000				
Info Tech Systems Spec 2	2.0	91,000	23,000	9,000	4,000		16,000				
Fiscal Program Managers	3.0	158,000	37,000	14,000	5,000		25,000				
<b>WSH Total</b>	<b>6.0</b>	<b>316,000</b>	<b>74,000</b>	<b>28,000</b>	<b>11,000</b>	<b>0</b>	<b>49,000</b>	<b>478,000</b>	<b>429,000</b>	<b>429,000</b>	
<b>ESH - BU: G91</b>											
Info Tech. System Spec 3	1.0	50,000	12,000	5,000	2,000		8,000				
<b>ESH Total</b>	<b>1.0</b>	<b>50,000</b>	<b>12,000</b>	<b>5,000</b>	<b>2,000</b>	<b>0</b>	<b>8,000</b>	<b>77,000</b>	<b>69,000</b>	<b>69,000</b>	
System Maintenance Costs				116,808				116,808	467,232	467,232	
<b>Subtotal - On-going Costs</b>	<b>7.0</b>	<b>366,000</b>	<b>86,000</b>	<b>149,808</b>	<b>13,000</b>	<b>0</b>	<b>57,000</b>	<b>671,808</b>	<b>965,232</b>	<b>965,232</b>	

**One-Time Only Costs**

<b>HRG - BU:G71</b>											
WMS-Project Manager	1.0	66,000	14,000	5,000	2,000	4,000	8,000				
<b>HRG Total</b>	<b>1.0</b>	<b>66,000</b>	<b>14,000</b>	<b>5,000</b>	<b>2,000</b>	<b>4,000</b>	<b>8,000</b>	<b>99,000</b>	<b>91,000</b>	<b>91,000</b>	
<b>WSH - BU: G92</b>											
Equipment-Hardware							332,560	332,560	279,970	144,620	
<b>ESH - BU: G91</b>											
Equipment-Hardware							136,778	136,778	128,450	77,765	
<b>System Implementation</b>											
Software Purchase & Customization				710,100				710,100	1,183,500	0	
Project Staff - Contracted				752,120				752,120	461,030	0	
Technical Infrastructure				187,500				187,500	312,500	0	
Training				375,000				375,000	625,000	0	
<b>Subtotal One-Time Costs</b>	<b>1.0</b>	<b>66,000</b>	<b>14,000</b>	<b>2,029,720</b>	<b>2,000</b>	<b>4,000</b>	<b>477,338</b>	<b>2,593,058</b>	<b>3,081,450</b>	<b>313,385</b>	

**Total Requested**

<b>8.0</b>	<b>432,000</b>	<b>100,000</b>	<b>100,000</b>	<b>2,179,528</b>	<b>15,000</b>	<b>4,000</b>	<b>534,338</b>	<b>3,264,866</b>	<b>4,046,682</b>	<b>1,278,617</b>	
<b>Fund Source Summary</b>											
GFS	90%	388,800	90,000	1,961,575	13,500	3,600	480,904	2,938,379	3,642,014	1,150,755	
Federal-TXIX	10%	43,200	10,000	217,953	1,500	400	53,434	326,487	404,668	127,862	
<b>Total</b>		<b>432,000</b>	<b>100,000</b>	<b>2,179,528</b>	<b>15,000</b>	<b>4,000</b>	<b>534,338</b>	<b>3,264,866</b>	<b>4,046,682</b>	<b>1,278,617</b>	

Staffing Assumption: Assumes staff will be in place July 2002.

# Supplemental 2002 M2-CL Clinical Billing and Hosp Info System

Equipment Needs:

Item:	Cost Per								
	FY02	FY03	FY04	FY05	Item	FY02	FY03	FY04	FY05
<b>For WSH</b>									
Workstation PC's	0	150	132	97	1,200	0	180,000	158,400	116,400
Network Switch Equip.	0	2	1		8,990	0	17,980	8,990	-
Hub Equipment	0	12	12	8	2,465	0	29,580	29,580	19,720
Shared Printers	0	10	10	5	1,700	0	17,000	17,000	8,500
Servers	0	4	3		22,000	0	88,000	66,000	-
<b>Subtotal</b>		141				<b>0</b>	<b>332,560</b>	<b>279,970</b>	<b>144,620</b>
<b>For ESH</b>									
Workstation PC's	0	70	68	47	1,375	0	96,250	93,500	64,625
Network Backbone Switch	0	1			8,468	0	8,468	-	-
Network Desktop Switches	0	4	5	1	2,890	0	11,560	14,450	2,890
Shared Printers	0	20	20	10	1,025	0	20,500	20,500	10,250
<b>Subtotal</b>						<b>0</b>	<b>136,778</b>	<b>128,450</b>	<b>77,765</b>
<b>Total Equipment Needs</b>						<b>0</b>	<b>469,338</b>	<b>408,420</b>	<b>222,385</b>

**State of Washington**  
**Department of Social and Health Services**  
**Budget Unit Summary for DP: M2-CL-Clinical Billing & Hosp Info System**  
**Version: 22 - 2001-03 1st Sup Agency Request**

**Budget Period: 2001-03**  
**Budget Level Criteria: M2 Only**  
**DP Criteria: CL**  
**Data Type Criteria: Choose a DP**

Dollars in Thousands		FTES		Fiscal Year 1			Fiscal Year 2			Total Biennium		
Budget Sprg Unit	FY 1	FY 2	Annual Average	General Fund State	Other Funds	Total Funds	General Fund State	Other Funds	Total Funds	General Fund State	Other Funds	Total Funds
Program 030 - Mental Health												
2000 G71 Hospital Revenue & Proj	0.0	1.0	0.5	0	0	0	224	2,015	2,239	224	2,015	2,239
2000 G91 Eastern State Hospital	0.0	1.0	0.5	0	0	0	21	193	214	21	193	214
2000 G92 Western State Hospital	0.0	0.0	0.0	0	0	0	81	730	811	81	730	811
Total Proposed Budget for												
Program 030 - Mental Health	0.0	2.0	1.0	0	0	0	326	2,938	3,264	326	2,938	3,264
Program 150 - Info Sys Svcs Div												
9000 A45 ISSD	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0
Total Proposed Budget for												
Program 150 - Info Sys Svcs Div	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0
Total Proposed Budget for												
DP: M2-CL-Clinical Billing & Hosp Info System	0.0	2.0	1.0	0	0	0	326	2,938	3,264	326	2,938	3,264